

Q1 2018



Imperial Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Imperial Beach In Brief

Imperial Beach's receipts from January through March were 12.4% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 15.6%.

Greater variety and creative new dining concepts continued to improve interest in eating out therefore positively impacting fast-casual and quick-service restaurant receipts. The recent addition of food and drugs store merchants also enhanced the results.

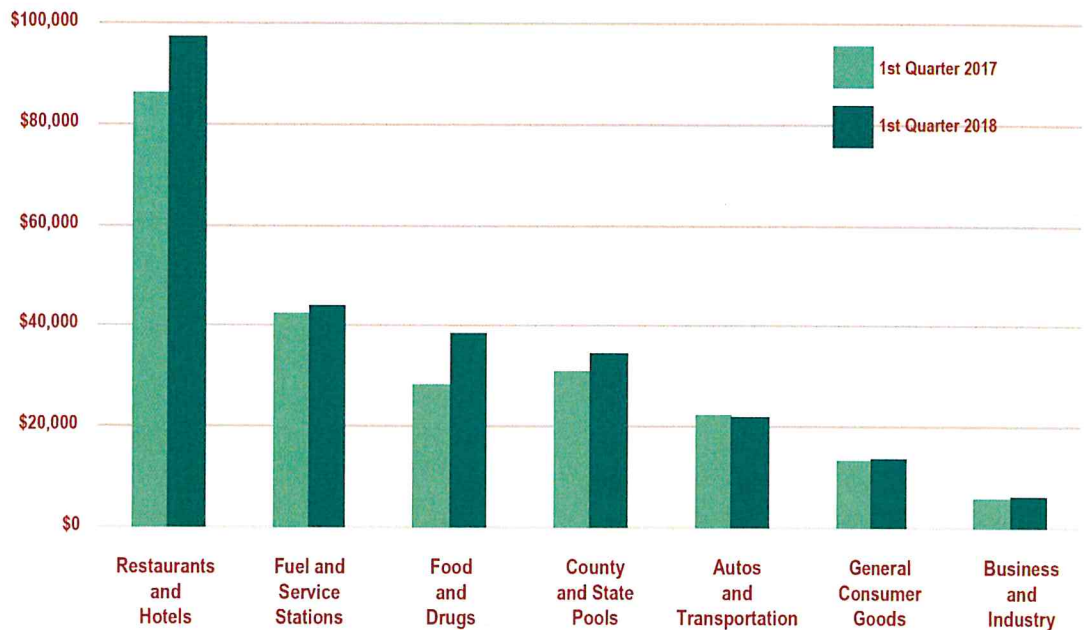
Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed service stations higher.

This growth in local point of sale revenue and increased capital and online purchases of items shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

The implementation of a new taxpayer reporting software by CDTFA negatively impacted some categories locally and statewide. Taxpayer allocations that were not incorporated into the current period are anticipated to be received next quarter.

Net of aberrations, taxable sales for all of San Diego County grew 4.7% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Fine Auto Store
76	Five Guys
Arco	Grocery Outlet
Beach Side Station	HS Cars Company
Brigantine	IB Forum Sports Bar & Grill
Carl's Jr	IB Pet
Chevron	Jack in the Box
Chipotle	KFC
Coronado Brewing	McDonalds
CVS Pharmacy	O'Reilly Auto Parts
Dominos	Sea 180 Coastal Tavern
El Tapatio Restaurant	Ye Olde Plank
Filippis Pizza Grotto	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$863,287	\$929,021
County Pool	135,434	137,217
State Pool	674	336
Gross Receipts	\$999,395	\$1,066,575

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CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

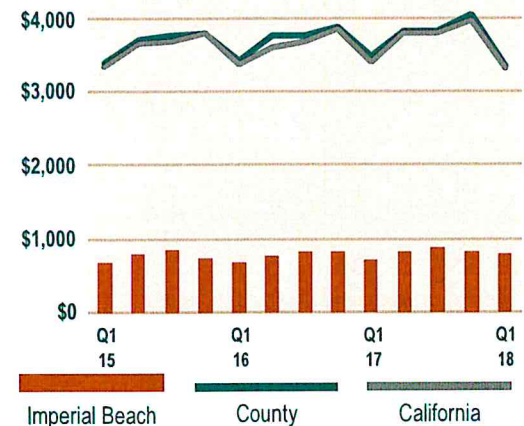
After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA**COUNTY OVERALL
1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-11.8%	-3.0%
Building and Construction	8.2%	12.4%
Business and Industry	-8.0%	0.3%
Food and Drugs	4.7%	6.4%
Fuel and Service Stations	-2.4%	13.4%
General Consumer Goods	-2.8%	5.8%
Restaurants and Hotels	-1.0%	4.1%
County and State Pools	-4.4%	7.6%
Total	-3.6%	4.7%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Imperial Beach This Quarter**